

INTRODUCTORY SECTION

**City of Manchester
Department of Finance**

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To the Honorable Board of Mayor and Aldermen and
Citizens of the City of Manchester, New Hampshire

The Comprehensive Annual Financial Report (the "CAFR") for the City of Manchester (the "City") for the fiscal year ended June 30, 2003 is hereby submitted. The City's Finance Department prepared this CAFR. The purpose of this report is to provide citizens, investors, grantor agencies, and other interested parties with reliable financial information about the City. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with management. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner that presents fairly the financial position and results of the operations of the various funds and component units of the City. All disclosures necessary to enable the reader to gain an understanding of the City's activities have been included.

The CAFR is presented in three sections: the introductory section, the financial section, and the statistical section. The introductory section, which is unaudited, includes this letter of transmittal, the City's organizational chart, and a listing of City officials. The financial section includes the independent auditor's report; management's discussion and analysis; the basic financial statements; notes to financial statements; and the combining and individual financial statements and schedules. The statistical section, which is unaudited, includes pertinent financial and general information indicating trends for comparative basis fiscal years.

The City's basic financial statements include all entities for which the City is financially accountable, and other organizations of the City for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board ("GASB") Statement 14 has set forth criteria to be considered in determining financial accountability. This criteria includes whether the City, as the primary government, has appointed a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the City.

The City has three component units - Manchester School District, Manchester Development Corporation, and the Manchester Transit Authority. Using the criteria of GASB Statement 14, management determined that the three component units should be discretely presented.

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The City is required to have an annual audit performed in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in "Government Auditing Standards," issued by the Comptroller General of the United States of America and in conformity with the provisions of the Single Audit Act Amendments of 1996 and the United States Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Nonprofit Organizations." The federal single audit for the year ended June 30, 2003, will be issued under separate cover. All information related to the single audit, including the schedule of expenditures of federal awards, findings and recommendations and auditor's report on compliance and on the internal control over financial reporting based on an audit of the basic financial statements, will be included therein.

General Description - The City is located on the Merrimack River in south central New Hampshire, approximately 58 miles north of Boston, Massachusetts. It is bordered by the towns of Hooksett, Bedford, Londonderry, Goffstown, Auburn, Litchfield, and Merrimack. The City has a population of 108,150, according to the 2003 report of the New Hampshire Office of State Planning, and occupies a land area of 33.9 square miles. The Manchester Metropolitan Area, with a ten mile radius, has a population of over 310,000, and the Manchester Trade Area, with a 20 mile radius, has a population of over 628,000. The Manchester Metropolitan Area and the Manchester Trade Area are areas that the City believes represent key geographic regions for the City's growing economy.

The City's history dates back to 1651 and was first settled in the early Eighteenth Century by John Goffe, on land, which is now the City, that was the disputed territory of Massachusetts and New Hampshire. This land became part of New Hampshire when New Hampshire became a separate province in 1741. In 1751, the area was incorporated as a town and renamed Derryfield. Over the next century, the town evolved from a grazing field into a developing manufacturing center with major cotton and wool milling industries. Samuel Blodgett, the visionary of this development, compared the town to the industrial center of Manchester, England: hence, in 1810, the name of the town was officially changed to Manchester. In 1846, Manchester was granted its city charter. Manchester was one of the first planned cities in the country. Its streets are laid out in a grid pattern and major streets run parallel to the Merrimack River. In recent years the City's economy has undergone a transition from one that was manufacturing-based (textile) to one that includes a diverse array of businesses and industries.

The City is the largest city north of Boston and has been frequented by nearly every candidate for President dating back to the days of Abraham Lincoln, especially since the time when New Hampshire began the first in the nation presidential primary every four years. Currently, the City has a diverse economy with a combination of manufacturing, service and retail firms. Once the home of the world's largest textile mill complex, today the City is home to over 200 diversified manufacturing firms along with service firms as noted herein.

The City continues to invest in its downtown and its future which has brought residents to the downtown area for dining, recreation, shopping and numerous cultural events. The city has a new civic arena, the Verizon Wireless Arena, which is a \$67 million multi-use facility with approximately 10,000 seats for the American Hockey League's Manchester Monarchs, an affiliate of the Los Angeles Kings of the National Hockey League. The City also hosts a number of cultural organizations at the Palace Theatre such as the New Hampshire Symphony Orchestra, the New Hampshire Philharmonic Orchestra and the Opera League of New Hampshire. The City has over 900 acres of parks and play grounds and also owns the McIntyre Ski Area, which provides substantial recreational resources for the community.

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The City owns and, through its Department of Aviation, operates Manchester Airport. Strategically located in the heart of northern New England, Manchester Airport offers air travelers easy access, competitive airfares, ample parking near the terminal and growing schedule of non-stop and direct jet service. Manchester Airport, a self-supporting, city-owned entity, is the largest commercial passenger, cargo, and general aviation airport in all of northern New England. Manchester Airport is completing a multi-year terminal and runway expansion project which when completed will permit enhanced service, including coast-to-coast non-stop flights and meet increased demand at the Airport. The terminal and runway expansion projects were financed with the proceeds of revenue bonds issued by the City on behalf of the Airport.

Government and Financial Controls – The City operates with a strong mayor form of government. The Mayor is the City’s full-time chief executive officer. The Mayor has appointment powers and budget line-item veto authority. The City’s current charter (the “Charter”) was approved by the voters of the City at the November 5, 1996 general election. The Charter includes an ethics policy, a local initiative option, and calls for the formation of a Charter Review Committee every ten years. A charter Review Committee was established during FY 2002 and produced its final report containing a proposed new Charter. The Board of Aldermen referred the Charter Review Committee’s proposed Charter to City voters for consideration at the November, 2003 election. The proposed charter revisions included a return to partisan City elections as well as the elimination of the two at-large positions on the Board of Alderman and the School Board. The proposed new charter was defeated at the November 2003 general election.

The City is governed by an elected Mayor and a fourteen member Board of Aldermen representing each of the city’s twelve wards and two aldermen elected at-large.

The Board of Mayor and Aldermen approves the City’s budget. The Board of Aldermen also nominates and appoints the City’s officers. The Finance Committee, consisting of the entire Board of Mayor and Aldermen, approves labor contracts and also adopts monetary appropriations.

City financial management is the responsibility of the City’s Department of Finance, which is staffed by 14 full-time personnel. The head of the Department of Finance is the Finance Officer of the City. The Department of Finance is responsible for establishing and maintaining a system of controls and financial reporting to ensure that the City’s assets are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with law and generally accepted accounting principles (GAAP). The Department of Finance also performs significant and ongoing monitoring of the financial performance of the City’s departments and enterprise funds, including monthly and quarterly interim reports and forecasted year-end revenue and expenditure/expense balances for all departments. As required by City ordinance and by the Charter, interim reports are submitted to the Board of Mayor and Aldermen and all City Department heads. Key revenue and expenditure/expense items are highlighted in these reports by the Finance Officer for attention by the respective readers.

Interim reports are reviewed with the Committee on Accounts, Enrollment and Revenue Administration (“COA”). The COA is a five member standing committee of the Board of Aldermen. The COA meets on a regular basis to review and to discuss financial matters.

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The City has an adopted Investment Policy. The Finance Officer also reports on investment performance to the Board of Mayor and Aldermen on a quarterly basis.

The City has also adopted debt policies and ordinances for the handling of one-time revenues, insurance reserves and undesignated fund balances.

The City's interim financial reports, budget and CAFR are available for viewing on the City's award winning web page.

Financial Information - The City's accounting system is organized and operated on a fund basis. A fund is defined as an accounting entity with a self-balancing set of accounts. The types of funds utilized by the City are as follows: general, special revenue, capital projects, enterprise, trust, and agency. The type and number of individual funds established is determined by GAAP and sound financial administration. The general, special revenue, and capital projects are maintained on a modified accrual basis of accounting, generally with the revenues recorded when measurable and available and the expenditures recorded when the services or goods are received and liabilities are incurred. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgements are recorded when payable from current financial resources. Accounting records for the City's enterprise, pension, and trust funds are on the accrual basis of accounting. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Internal Controls - Management of the City is responsible for establishing and maintaining a system of internal controls over financial reporting to ensure that the assets of the government are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with GAAP. Controls are designed to provide reasonable, but not absolute assurance regarding (1) the safeguarding of assets against loss from unauthorized use; and (2) the reliability and accuracy of financial statements. The concept of reasonable assurance recognizes that the cost of internal control should not exceed the benefits likely to be derived; and that the evaluation of cost and benefits requires estimates and judgment by management. The City believes that its internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

As part of the City's single audit, tests were made of the government's internal controls over financial reporting and of its compliance with applicable laws and regulations, including those related to federal and state financial award programs. This testing was not sufficient to support an opinion on the government's internal control system or its compliance with laws and regulation. However, the audit for the year ended June 30, 2003 disclosed no material internal control weaknesses or material violations of laws and regulations.

Appropriation Process and Budget Control - The Charter provides for the Mayor, and such other officials as the Mayor shall select, to prepare a budget for consideration by the Board of Aldermen. The Mayor's proposed budget must include certain historic and projected expenditure and revenue information and statements of anticipated tax levy and debt service requirements. The Mayor's proposed budget is referred to a public hearing. After the public hearing the BMA may adopt the proposed budget with or without amendment. If amendments are made, a second public hearing may be held prior to final adoption. The Mayor may veto the entire budget or line items thereof. In the event of a veto all portions of the budget not vetoed shall be passed. If the BMA fails to adopt appropriation resolutions for the ensuing fiscal year by June 30th, the Mayor's budget as originally proposed shall prevail.

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The Charter also provides for supplemental appropriations, reductions of appropriations, and transfers of appropriations under certain limited circumstances.

The City maintains extensive budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the BMA. Activities of the general fund are included in the annual appropriated budget. Project-length budgets are prepared for the special revenue and capital projects funds. The level of budgetary control (i.e., the level at which expenditures cannot legally exceed the appropriated amount) is the departmental level within each fund. The City also maintains an encumbrance accounting system as one method of maintaining budgetary control. Unencumbered amounts lapse at year-end. Encumbered amounts at year-end are reported as reservations of fund balance.

As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management.

Cash Management Policies and Practices - Excess cash was invested in U.S. Treasury Bills, certificates of deposit, repurchase agreements, and the State of New Hampshire (the "State") Investment Pool. The maturities of the investments range from thirty days to six months, with the average maturity closer to the thirty-day range. This was certainly not due to a shortage of funds, but to the reality that the market was in an inverted yield curve position. Consequently, funds were invested for shorter durations to take advantage of the rate environment. The average yield on investments was 1.34%, which resulted in the \$736,111 that was realized as interest income in the general fund, which was considerably less than the anticipated revenue figure.

The City's Investment Policy conveys the concept that the preservation of capital and the liquidity requirements are the two primary factors considered in the structure of the portfolio. Whether instruments are marketed by banking institutions or pooled investment managers, they are subject to stringent requirements. Accordingly, 78% of the investments held at fiscal year-end were collateralized through Joint Custody Accounts at the Federal Reserve Bank of Boston or through perfected collateral arrangements. This contributed to the classification of a low risk profile, which the City strives to maintain. Most accounts/securities were held and designated specifically in the name of the City, while the guarantor of the pooled investment arrangement is the nation's leading municipal bond insurer and a publicly traded, NYSE-listed company.

Risk Management - The City has a program of both self-insurance and policies for worker's compensation, health, and general liability. Under this arrangement a third party administrator manages the claims with the City Risk Manager.

The City has a pro-active Employee Safety Program with a Safety Officer and a Safety Committee meeting on a regular basis.

Liability, property, auto, and professional coverage are maintained with claims coordinated through the Risk Management office.

Community Improvement Programs – As part of the City budget process, the City Finance Officer provides the Mayor and Aldermanic CIP committee with a five year debt affordability forecast as a basis for the Planning Department development of the Mayor's recommended CIP program/budget. The project initiatives are envisioned over the ensuing fiscal period in accordance with the affordability forecast.

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GENERAL GOVERNMENT FUNCTIONS

Education

During fiscal year 2003, the Manchester School District (“MSD”) was able to establish \$2,842,137 to its budgetary basis fund balances. The FY 2002 fund deficit of \$2,081,077 has been eliminated in FY 2003 by a BMA appropriation in accordance with a court-adopted Settlement Agreement (dated October 9, 2001). The School District now has a fund balance of \$761,060.

The MSD is the largest and oldest school system in the State. The MSD includes fifteen elementary schools, including a developmental preschool, four middle schools, three fully accredited high schools, the Manchester School of Technology (a regional vocational/technical school), and a program of adult education. During the 2002-2003 academic year, the MSD served approximately 17,576 students, including Sending District (hereinafter defined) students, and employed approximately 2,475 full-time and part-time faculty and staff.

The public school system comprises 22 school buildings as follows:

Preschool & Elementary	15
Junior High Schools	4
Senior High Schools	3

Enrollment in the Manchester schools for the 2002-2003 school year represents a 0.8% increase over the 2001-2002 school year. The school faculty totals 1,284 full time teaching positions, yielding a student-to-teacher ratio of 13.7 to 1. The table below sets forth recent trends in Manchester’s school enrollments.

ENROLLMENT IN PUBLIC SCHOOLS				
Year	Elementary	Middle/Junior High	Senior High	Total
2002 — 03	7,201	3,765	6,610	17,576
2001 — 02	7,277	3,719	6,442	17,438
2000 — 01	7,422	3,713	6,272	17,407
1999 — 00	7,379	3,612	6,056	17,047
1998 — 99	8,111	3,064	5,630	16,805

Four of the City’s neighboring school districts, the Bedford School District, the Auburn School District, the Candia School District and the Hooksett School District (collectively, the “Sending Districts”) send approximately 1,790 secondary school students to the City’s high schools each year. The Sending Districts have entered into agreements with the City to provide for the payment of tuition and other costs to the City.

The MSD’s middle schools and high schools offer extensive music and art programs, competitive athletics, clubs, and community service organizations. All schools provide opportunities for parents to participate at school or from home through parent associations and volunteer groups. Partnerships with the business community are highly valued. Most schools enjoy one or more business/education collaboratives.

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In addition to the basic curriculum, the MSD provides special education services for learning disabled, mentally retarded and emotionally disturbed children, programs for the deaf, and an English as a Second Language program.

Although the City prides itself in the maintenance and upkeep of the school infrastructure, time places demands on these buildings that only an extensive and costly comprehensive repair, alteration and additions program can properly address. In FY 2001, the City initiated an effort to address an anticipated increased student population and outdated systems.

In Fiscal Year 2001, the City commissioned Parsons Brinkerhoff Construction Services, Inc. ("PB") an engineering firm located in Boston, Massachusetts, to undertake an extensive survey to examine the condition of the City's school facilities. PB was commissioned to identify facility deficiencies, identify necessary facility additions and develop various options of courses of action for the City to consider, and provide an estimate of costs associated with each option. PB issued the report in December 2000.

The PB report has been used as a guide to preparing a comprehensive program of renovating the City's school facilities. In this regard PB was re-engaged to help define a specific design/build/finance procurement program for the City's schools. The intent of the project is to provide renovation to all existing schools. Renovations will include, but not be limited to, HVAC, electrical systems, floors, roofs, fire alarms, sprinklers, and both interior and exterior general maintenance. The project addresses capacity related deficiencies through additions to existing facilities. Additions are being constructed on two middle schools and three senior high schools.

In accordance with authority granted by an ordinance enacted on February 12, 2002, the City issued a Request for Proposals ("RFP") for a single contractor team to finance, design and construct additions to three high schools and two middle schools, and other major capital improvements to all twenty-two public schools (the "Program"). The purpose of the ordinance was to authorize the City to conduct a comprehensive procurement to secure a single team to develop the Program on its behalf. Unlike traditional public contracting where design and construction performed by separate entities and selections is based on low bid, design-build allocates all responsibility to a single team and the selection of that team was based on an expanded set of factors that take into account qualitative evaluations of a range of factors, including price, schedule, quality of design and construction, and financing strategies.

The City selected Gilbane Construction to undertake the \$105 million Design Build Project. Furthermore, based on preliminary submissions it is anticipated that related construction will be "fast tracked" and completed within three years.

Based on preliminary estimates, it is anticipated that the cost of the Project will be evenly allocated between new construction and renovation. In this regard neighboring towns voted on long term tuition agreements at town meetings in March 2003. The City's proposed design/build program, while directly addressing educational needs, also sends a strong economic development message. The City's multi-year, multi-million dollar commitment to its schools is an important economic development investment in the City's future workforce. While other cities are establishing a moratorium due to the current economic slowdown, the City of Manchester will, as a result of its long term financial planning, be creating jobs and significant economic activity. Given the "fast-track" nature of the project, capital spending should provide significant continued stabilization to the Manchester economy. It is the City's belief that timely investments in its schools constitutes good economic policy.

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Education Funding

On December 17, 1997, the New Hampshire Supreme Court ruled that the State's system of financing elementary and secondary public education primarily through local property taxes was unconstitutional. In its B-5 decision, the State Supreme Court noted that several financing models could be fashioned to fund public education, but that it was for the Legislature to select one that passes constitutional muster. The State Supreme Court did not remand the matter for consideration of remedies, but instead allowed the existing funding mechanism to stay in effect through March 31, 1999, and stayed all further proceedings until the end of the 1999 legislative session to permit the Legislature to address the issues raised in the case.

Chapter 17 of the Laws of 1999 became effective in April 1999 (see Chapter 17). The law included a definition of "adequate education" for New Hampshire schools and establishes an "Education Trust Fund" and a formula for providing state financial assistance to local school districts. The new law included a phase-in provision for certain aspects of the Education Trust Fund.

The primary means of State funding for the Education Trust Fund is a uniform statewide property tax under which some of the levies from more prosperous ("property rich" or "donor") communities are collected by the State and redistributed to less affluent ("property poor" or "recipient") school districts. The law established a uniform tax rate of \$6.60 per thousand of total equalized value (not including utility property or local exemptions). The new state aid property tax is assessed and collected in virtually the same manner in which property taxes have been administered in the past with one primary exception, donor communities are required to send amounts in excess of what is required locally for an adequate education to the State for redistribution to recipient districts. The City is a recipient district.

In addition to the property tax provisions, the State raised levies on its Business Profits Tax 1%, Business Enterprise Tax .25%, Real Estate Transfer Tax 50%, and added rental cars to the items covered on its Meals and Rooms Tax. The State also earmarked revenue from the State's share of the recent multi-state tobacco settlement, as well as sweepstakes earnings and reserve funds of \$62 million already committed to assist property poor communities. As a result of the enactment of Chapter 17, the City receives approximately \$45 million in state assistance for education.

The legislation also created two commissions: the Adequate Education Financing Commission and the Tax Equity and Efficiency Commission to make further recommendations as to the funding of education expenditures. The legislation further provides that if the voters of the state adopt an amendment to the state Constitution which relates to the role of the legislature in determining the nature of and means for funding public education, the provisions of the legislation shall, with certain limited exceptions, be without effect as of the July 1 following such adoption and the provisions of laws affected by the legislation shall be considered reenacted as they were on the day before the legislation became effective. The next opportunity for adoption of such an amendment is in November 2004.

The legislation in no way limits the amounts a municipality may appropriate to fund education above its per pupil adequate education cost and in no way limits the additional amount of taxes that can be levied to raise such additional appropriations or to pay debt issued for school purposes.

Prior to May 24, 1999 the MSD was administered as a department of the City, with departments of the City administering certain school functions, such as Finance and Human Resources, at the direction of

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the school district. On or about December 9, 1998 the District filed a Petition for Declaratory Judgment in the Hillsborough County Superior Court, Northern District. City of Manchester School District and SAU #37 v. City of Manchester, Hillsborough County Superior Court, Northern District. Docket number 98-E-458. The Petition, among other requests for relief, sought a declaration that the District was not a department of the City. The court issued an order on May 24, 1999 in which it ruled that the District was not a department of the City. The court's order was not appealed. In response to the court's order the City's Board of Mayor and Aldermen determined that an amendment to the City Charter was desirable. A proposed amendment to the Charter was drafted that merged the District into the municipal corporation with the District to be administered by the School Committee as a department of the City.

On or about March 29, 2001 the District filed a Petition for Declaratory Judgment, Permanent Injunctive Relief and Damages. The City of Manchester School District and School Administrative Unit #37 v. The City of Manchester, Hillsborough County Superior Court, Northern District, Docket No. 01-E-149. The Petition requested that the court issue rulings on various fiscal practices between the City and the District. The petition was amended to include a new count regarding proposed amendment to the City Charter and to request that the court rule that the District could not be made a department of the City by Charter amendment.

The proposed Charter amendment was sent to referendum and on November 6, 2001 the voters of the City voted to adopt the charter amendment.

On April 11, 2003 the court issued an order ruling that the City could not make the District a department of the City by Charter amendment. The City appealed the court's order to the New Hampshire Supreme Court, which accepted the appeal on June 30, 2003. The appeal is presently pending before the New Hampshire Supreme Court.

In 2003, the State legislature enacted special legislation concerning the City and the District which provides that the City may incorporate the District as a department of the City and that the Mayor shall have control over the form and procedures for preparation and adoption of the school department budget. The special legislation took effect upon enactment. At the present time, the City does not intend to incorporate the District as a department of the City.

Neither the adoption of Chapter 17 nor the local court ruling is expected to substantially change the administrative operation of the Manchester School District.

General Fund Budget - The FY 2004 Budget was adopted on June 9, 2003. The budget increases MSD spending by \$5,427,008 (4.5%) and municipal spending by \$2,993,866 (2.9%). The City's tax rate increased by \$.72 (2.8%).

Biennial Budget - Chapter 54 of the Laws of 1998 (RSA 32:25-26 Biennial Budgets) was adopted by the New Hampshire Legislature in an effort to provide municipalities with more management flexibility. The statute allows for biennial budgets to be adopted for the periods immediately following a municipal election, thus providing that elected officials could only adopt biennial budgets covering their two-year term of service. The City Charter also allows for the adoption of biennial budgets. Therefore, pursuant to this legislation, the City initiated a trial biennial budget exercise as part of the FY 2003 and FY 2004 budget cycle. This allowed the City to directly experience a biennial budget preparation process to determine its practicality and usefulness as a strategic planning tool.

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ECONOMIC DEVELOPMENT/MANAGEMENT INITIATIVES

As the State's largest city and business center, Manchester boasts a diversified economic base. Both the State and the City are recognized nationally for their livability (#2 Healthiest State – 2001 United Healthcare Group; 2nd Safest State 2001 - Morgan Quinto; #2 in Child and Family Well-being - 2002 Kids Count Data Book; #4 State of Caring Index – United Way of America; #2 Highest Standard of Living 2000 Expansion Magazine; #5 Start Quality of Life Rating, measuring communities best suited for business expansion or relocation); #4 Most attentive City for manufacturers (Business Development Outlook, 1999).

Manchester has always been a city where business prospers. Once the site of the world's largest textile mill complex, the City today boasts an economy that is a diverse combination of manufacturing, service and retail firms. The history of Manchester is one of orderly growth, emphasizing the dual values of business prosperity and quality of life.

More than 200 diversified manufacturing firms call Manchester home. Nearly 70% of manufacturing jobs are in durable goods production, especially metal products, electrical products and machinery, and plastics.

Over 80% of the work force in the Manchester Metropolitan Statistical Area ("MSA") is employed in more than 2,000 non-manufacturing firms, and Manchester is the financial and commercial center of northern New England.

The Manchester MSA has over 8,000 commercial establishments, including more than 800 retail stores with annual sales of over \$2.4 billion (2001). Continuing expansion of financial and business services, supported by significant growth in population and personal income during the past decade, has contributed substantially to improvement of the area's economy.

The Manchester Metropolitan Statistical Area labor force numbers 119,230 while the unemployment rate is 4.2% (November 2003).

The City's financial and economic position is further supported by its strong credit ratings (see Bond Issues and Credit Ratings – page 28). The City began preparing for an economic slowdown in FY 1999. Through the use of conservative revenue forecasting and a dedication to disciplined spending, and aided by unusually mild winters, the City has been able to grow and sustain positive undesignated General Fund balances and a \$9,633,624 Revenue Stabilization Fund.

Economic Development

The City has made a major effort in recent years to diversify its economy. This planned effort has led to the location of an array of businesses and industries in the City, and has provided a strong base for future economic development activities. Much of this diversification was accomplished through redevelopment projects, which required a high degree of public and private cooperation.

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Master Plan

The City adopted a Master Plan in 1993 to serve as the basis for future land use decisions. The plan is intended to communicate the current needs, desires, and interests of its citizens in the form of recommendations that enable City officials to better provide for the future and ensure that the City acquires and maintains the capability to guide development. The Master Plan is based on various neighborhood master plan workshops as well as a public opinion survey. The Planning Board received the assistance of various public agencies in preparing certain portions of the plan and professional planning consulting firms provided expertise in drafting the various chapters.

The Master Plan provides an inventory of the natural and physical resources of the area, which in turn is intended to guide long range land use recommendations for the development of future housing, industry, and commercial uses as well as long range land use recommendations for the development of open space, recreation, community facilities, and infrastructure. It also provides the basis for the City's zoning ordinance by establishing a blueprint for anticipated land use in terms of location, extent, and intensity of uses and provides a framework and rationale for the development of various implementing ordinances including the City's capital improvement program, site plan review, subdivision and building codes. The City intends to update the Master Plan by 2005.

Industrial Parks

There are three industrial parks within the City that were developed by the Manchester Housing and Redevelopment Authority under redevelopment powers granted by the New Hampshire Legislature. As noted below, over 7,000 people work in the industrial parks. The Brown Avenue and Grenier Industrial Parks and the Manchester Air Park are occupied by 50 manufacturing and industrial service companies in over 1.9 million square feet of space, employing approximately 2,900 people. Occupants include nationally known companies such as Moore Business Forms, Sanmina Corporation, TruServe (True Value), and United Parcel Service, Inc.

Sale of the 23 lots in the Manchester Air Park began in 1992. As of September 2003, 22 of the parcels had been sold. New construction completed or in progress totals nearly 500,000 square feet, and these companies have created approximately 770 jobs.

The so-called East Industrial Park is another of Manchester's major employment centers. Infrastructure to the area was installed in 1970, and subsequently this area has been extensively developed with private capital. Approximately 1.3 million feet of space has been constructed, with more than 3,000 people employed. Nationally known firms located here include Hitachi Cable Manchester, Inc., AT&T, Comcast and Verizon Communications.

Overall Economic Development Program

The City received approval in August 1998 of the third annual update of its Overall Economic Development Program ("OEDP") from the U.S. Department of Commerce Economic Development Administration. The original OEDP, now known as CEDS (Comprehensive Economic Development Strategy), was approved in 1994, and an updated CEDS was prepared in 2000. Having an approved CEDS is the basis for Manchester's continuing eligibility for funding under programs administered by the Economic Development Administration, such as the Section 108 loan described below. The City, through the Manchester Economic Development Office, is now completing its latest update of the CEDS.

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Downtown Revitalization

For the past decade Manchester has focused on its downtown as one of the main cogs of its economic engine. In the past two years, the results are starting to show.

The major rehabilitation of the City owned “Chase Building” in the center of downtown is now complete and has been recognized with three preservation awards. This project was made possible utilizing a \$1 million grant from the U.S. Department of Commerce, Economic Development Administration, a \$1 million loan using Housing and Urban Development (HUD) Community Development Block Grant (CDBG) funds, a \$1.55 million loan from the HUD Section 108 Loan Guarantee Program, and a \$200,000 loan from the Manchester Development Corporation. The 44,000 square foot, six story structure is a tax deeded property that was made possible by a public/private partnership with a developer who has guaranteed to pay off all debt in exchange for an option to purchase the building at the end of fifteen years. In addition to the Chase Building, the Bond Building and the Dunlap Buildings have been redeveloped in the same area and the McQuades Building is just beginning renovations.

The completed Bond Building renovation includes approximately 5,000 square feet of retail, 5,000 square feet of office space and 9 units of market rate housing. This project is privately owned and financed through the use of \$1.552 million in HUD Section 108 loans, \$288,000 in CDBG funds, \$150,000 from Manchester Housing and Redevelopment Authority, and a \$100,000 private investment from the Bank of New Hampshire. All funds were loaned to the project with various repayment schedules.

The “Dunlap Building” was another blighted structure that has been recently renovated. This was made possible through a loan from the City in the amount of \$1.35 million and \$450,000 from the Manchester Development Corporation. This privately owned building contains approximately 5,000 square feet of retail and 20,000 square feet of class “B” office space.

Local government administration agreed to create a position that will focus just on the City’s Enterprise Community to encourage development. The Destination Coordinator position has been in existence for two years and the fruits of this position are evident when you visit downtown.

Millyard Redevelopment

The Amoskeag Millyard, a major concentration of multi-story brick mills along the banks of the Merrimack River, was once home to the largest cotton textile manufacturer in the world. Since the demise of this industry in New England in the 1930s, the City has taken steps to redevelop and adapt the area for continued business use. A \$20 million federally funded redevelopment project was completed in 1985, and substantial private investment has also been involved this area. Approximately 90% of the 3,500,000 square feet has been rehabilitated and is now used by a diversity of firms, including manufacturing, educational facilities, computer hardware and software, bio-tech and restaurants. One of these buildings is home to three museums: The Science and Engineering Hall of Fame, Science Enrichment Encounters, and the Manchester Millyard Museum of the Manchester Historic Association. Another building houses the campus of the University of New Hampshire/Manchester. Nationally known firms located in the Millyard include Kana Communications, Texas Instruments, AutoDesk, and Microsoft Great Plains.

Plans for the final vacant mill building – Pandora – including the establishment of an upscale hotel, are being considered by its owner.

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Riverfront Development

Manchester continues to recognize the tremendous potential of the Merrimack River adjacent to its historic Amoskeag Millyard. A strategy to redevelop its riverfront is reaping great benefits for the City. Key to this strategy is the public investment in development of the Stadium, the pedestrian river walk system (the “Riverwalk”) and parking.

The Riverfront Project will include the construction of the new Stadium, retail space, a hotel, luxury townhouses and two condominium residential towers. The Stadium will seat over 6,500 spectators and will become the home of a AA baseball team in 2005. The Stadium is expected to cost \$24,400,000 and will be financed, in part, with Municipal Bonds. The tax revenues from the site and payments to the City from the baseball team are expected to exceed the City’s debt service on the project. With the AA baseball team expected to come to the City in 2004, the City and the developer will be renovating historic Gill Stadium so that the team can play its 2004 season in the City. The \$4,100,000 renovation will allow the City to have an improved baseball and football venue for high school and amateur sports once the AA team moves to its new home at the Stadium.

The core of the pedestrian Riverwalk will extend approximately two miles from the Amoskeag Dam southerly along the Amoskeag Mills and then along Singer Park to Hesser College. This will also be the central section of the Heritage Trail — a trail system that is eventually expected to run from Massachusetts to the Canadian border. In addition to this north-south trail, a pedestrian bridge will connect to the West Side of the City and the Piscataquog Trail, which will extend to the Piscataquog River Park and to Bedford. To the east, a connection will be made to the abandoned Portsmouth Railroad line, which has been developed into a trail system to the Atlantic coast. When these trail systems are linked the Riverwalk will be the only central hub of a trail system that will span the State from the north to the south and nearly span the width of the State from east to west. While the Riverwalk will provide the obvious recreational attractions of bringing bicyclists, walkers, joggers, and roller-bladers to the Merrimack River, it will also provide a number of economic development opportunities in the Millyard. A master plan was completed for the area in the 2003 summer under the guidance of a Riverwalk Advisory Group. The group is a combination of public officials and non-profit organizations with the common vision of bringing the City back to the Merrimack River. Phase I of the Riverwalk in the vicinity of Singer Park is now complete. It is expected that the overall Riverwalk will take five years and \$8.5 million to complete. Funding is anticipated to be provided, in part, through the City’s issuance of the Bonds and through federal grants, and private donations. A private non-profit group has been organized – “Hands Across the Merrimack” — to raise approximately \$1 million in funds to reconstruct the trestle bridge spanning the Merrimack River to be used for pedestrians and bicyclists.

FIRST

During fiscal year 1995, the City acquired a 160,000 sq. ft. brick and timber mill building to serve as the home of the Foundation for the Inspiration and Recognition of Science and Technology (“FIRST”). FIRST is a tax-exempt nonprofit entity. The building is the site of museums to display technological, scientific and industrial exhibits of historic and current interest, including a Science and Engineering Hall of Fame and the New Hampshire Industrial Heritage Museum. The project is expected to be completed in phases over a ten-year period. Construction of the first 13,000 square foot phase has been completed and was opened in July of 1998. A National Science Foundation grant of \$300,000 was awarded for this phase of the project. FIRST is operated by Dean Kamen, the inventor of the Segway, a

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two-wheeled, self-balancing human transporter, which was developed in one of Mr. Kamen's renovated mill buildings located in Manchester's Millyard.

Verizon Wireless Arena

This \$67 million project was approved by the Board of Mayor and Aldermen in early 2000, and construction began in earnest in May of the same year. Financing was comprised of 80% public funds and 20% private funds loaned by a consortium of local banks against a pledge of contractually obligated income generated at the building. The Verizon Wireless Arena is a 10,000-seat public assembly facility to accommodate sporting events, family shows, concerts, and civic events. It was designed by an architectural team consisting of a local firm, Lavallee Brensinger Professional Association and a national firm, HOK Sport. The anchor tenant in the building is an American Hockey League franchise, the Manchester Monarchs, an affiliate of the Los Angeles Kings of the National Hockey League. The Manchester Monarchs led the league in attendance in only their second season with nearly 9,000 spectators per game.

The building is professionally managed by SMG under contract to the City and the opening event was held on November 15, 2001. The project is viewed as a major component in the City's efforts to stimulate the revitalization of its downtown area. The Arena has been extremely successful and to date has been in the top three venues nationally in attendance for an arena its size.

Retail

A major retailing area has developed along South Willow Street adjacent to Interstate 293 and Manchester Airport. The anchor development of this retail area is the million square foot Mall of New Hampshire, which underwent a \$35 million expansion that was completed in 1998. Occupants of the mall include Sears Roebuck, J.C. Penny, and Filenes as well as more than 100 other retailers of varying size and category. Although developable land in the area is in short supply, limited development continues to occur. In the past year Wal-Mart renovated and assumed occupancy of a Home Quarters facility and a Barnes & Noble Bookstore relocated and expanded its facility. A developer has an option on approximately 10 acres of land for a retail development anchored by a Shaw's Supermarket, which is now under construction. The City approved a rezoning of a portion of the proposed site in order to allow the development to proceed. A new hotel has just opened in the area and a new Super Stop and Shop grocery store also opened in August, 2003.

Hackett Hill/UNH-Manchester

Following one and one half years of negotiations, the City and the University of New Hampshire-Manchester ("UNH-M") concluded a major real estate transaction in March of 1999. The City acquired 822 acres of land formerly owned by UNH-M for the development of a corporate business park, and UNH-M acquired a 72,000 square foot renovated mill building in the Amoskeag Millyard to consolidate operations into a single building. This unique project also assisted the City in compliance with the US EPA mandated Combined Sewer Overflow program by providing for the preservation of 376 acres of the former UNH-M land as a wetlands preserve area. Of that acreage, approximately 342 environmentally rich acres have since been transferred to the Nature Conservancy. Also related to the CSO program, the City is negotiating to acquire other contiguous land outside of the UNH parcel to be included within the preserve.

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Approximately 400 acres of the site will be developed into a higher end corporate business park. The Manchester Housing and Redevelopment Authority has received two offers on the first parcel in the project – French Hall. As sites are sold, the City will utilize the proceeds to further develop the roadways and infrastructure of the park. The State Department of Transportation has committed to build a new highway interchange with I-293 when the park development reaches the southerly end of the site.

Transportation

Manchester Airport

The City owns and, through the Department of Aviation, operates Manchester Airport. The Airport is located in both the City of Manchester and the Town of Londonderry, New Hampshire, approximately six miles south of the downtown area of the City in both Hillsborough and Rockingham counties. The 1,200-acre Airport is the major air carrier airport in the State of New Hampshire. During Fiscal Year 2003, there were an estimated 1,712,703 enplanements at the Airport, representing a 4.2% increase as compared to Fiscal Year 2002. The Airport was one of the few airports in the country to sustain its positive passenger growth after September 11, 2001. Between Fiscal Year 1997 and Fiscal Year 2002, the Airport experienced over 200% growth in the number of passengers enplaned annually due to the growth in service offered at the Airport by low cost carriers. For the first eight months of calendar year 2003, the Airport is maintaining a 4.9% enplanement growth rate as compared with the same eight month period in calendar year 2002.

Strategically located in the heart of northern New England, Manchester Airport offers air travelers easy access, competitive airfares, ample parking near the terminal and a growing schedule of non-stop and direct jet service. Manchester Airport is the largest commercial passenger, cargo, and general aviation airport in all of northern New England. The airport is also a designated Foreign Trade Zone.

In 1992, the City financed certain capital improvements to the Airport, including construction of a new terminal building, aircraft aprons and taxiways, and road and parking facilities through an initial State-guaranteed bond issuance in the aggregate amount of \$42,730,000 (the Series 1992 Bonds). In October 1997, the Federal Aviation Administration (the “FAA”) accepted the City’s Master Plan Update (the “Master Plan Update”) to address the then-current aviation needs at the Airport and the projections for future growth in aviation demand. In 1998, the City issued its General Airport Revenue Bonds, Series 1998 in the aggregate amount of \$124,275,000 to fund the initial phases of the Master Plan Update by commencing various runway and roadway improvements and constructing an airport terminal expansion and a new parking garage. In 2000, the City issued its General Airport Revenue Bonds, Series 2000 in the aggregate amount of \$55,990,000 in order to finance additional costs related to the 1998 Project and to further implement certain elements of the Master Plan Update. In 2001, the City issued its General Airport Revenue Bonds, Series 2001 which refunded the Series 1992 Bonds. In 2002, the City issued its General Airport Revenue Bonds, Series 2002 to finance a second terminal expansion, which will convert the existing five commuter gates into four mainline jet-bridge-served gates and to rehabilitate and extend Runway 17/35.

The Runway 17/35 project was essentially complete in August 2003. Runway 17/35 will have an upgraded Category III ILS, which will allow safe landings during the worst visibility and weather conditions.

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Future capital projects envision additional parking-lot expansions, including another garage structure, as well as another terminal expansion, all of which will be demand driven by increasing activity and the concomitant requirement for expanded facilities.

Airlines currently serving the Airport as of June 2003 include Air Canada, Boston-Maine Airways, Comair (Delta Connection), Commutair (Continental Connection), Continental Airlines, Continental Express, Delta Airlines, Northwest Airlines, Southwest Airlines, United Airlines, and US Airways and US Airways Express. These airlines provide non-stop service to Albany, Atlanta, Baltimore-Washington, Bangor, Chicago (O'Hare and Midway), Cincinnati, Cleveland, Detroit, Kansas City, Nantucket, Nashville, New York (LaGuardia and Newark), Minneapolis, Montreal, Orlando, Philadelphia, Pittsburgh, Portsmouth, Tampa, Toronto, Washington National, and Washington-Dulles. Through plane service is also available to 32 additional markets.

As a result of the terrorist attacks of September 11, 2001, the North American air transportation system was disrupted, leading to a temporary suspension of air travel in the United States. Air travel was reinstated at reduced levels throughout the United States. Many airports and airlines suffered much-reduced activity and revenue margins. Contrary to industry trends, Manchester Airport, in the post-9/11 environment, has actually had airlines add service and destinations. This increased activity was significant enough that after September 11th the Airport was the first airport in the country to have its bond ratings upgraded. The Airport continued to experience enplanement growth in fiscal years 2002 and 2003. Southwest Airlines, the Airport's dominant carrier initiated non-stop Las Vegas service in September, 2003. This is a direct result of the lengthening of its main runway, and the Airport is anticipating future non-stop west coast service.

In response to the Airport's and the City's growth, three major lodging facilities have been or are currently being built in the Airport's immediate vicinity, e.g., Marriott's Spring Hill Suites and Hilton's Homewood Suites, which are on the Airport property and the new Taje Inn on the Airport's main access road.

Manchester Airport recently commissioned its third Economic Impact Statement assessment in the last decade. The most recent report, prepared by Leigh Fisher Associates, estimates that the fiscal year 2002 estimated economic impact from the Airport on the State of New Hampshire was \$715.6 million, of which \$671.9 million occurred in the Manchester area. Additionally, the 2015 economic impact on the Manchester area is projected to be nearly \$1.5 billion.

The Airport has outstanding \$276,435,000 of General Airport Revenue Bonds. Those bonds are limited obligations payable from net revenues of the Airport. None of the Airport revenue bonds constitute or give rise to any charge against the taxing power of the City.

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Seaport

The Port of New Hampshire in Portsmouth, 45 minutes east of Manchester via NH Route 101, is a year-round deep-water port. It is the site of the state-operated marine terminal, which can handle vessels up to 700 feet in length. A major port facilities expansion has recently been completed. The Portsmouth terminal is a federally designated Foreign Trade Zone as is the former Grenier Air Force Base at the Manchester Airport.

Highways

Manchester is the focal point of New Hampshire's transportation system and is served by a network of highways, including the F.E. Everett Turnpike, U.S. Route 3, and Interstate Routes 93 and 293. Interstate Routes 95 and 495, which intersect Routes 3 and 93 in Massachusetts, are the circumferential highways, which serve the high technology industries of eastern Massachusetts and southern New Hampshire. The downtown area is accessed by way of Interstate 293. Exit ramps to the area, via Granite Street, were completed in 1984 (the northbound ramp) and in 1986 (the southbound ramp). The City is also at the junction of many of New Hampshire's intrastate highways, including Routes 28, 101 and 114, which lead to all major cities in the State. These highways allow for overnight trucking delivery to all major cities in the Northeast.

The City is responsible for the maintenance of nearly 400 miles of streets. The City has completely reconstructed 14 miles of streets, mostly with its own forces, at a cost of approximately \$13 million over the past 10 years. The City also maintains an annual resurfacing program under which 10 to 20 miles of streets are resurfaced yearly at a cost ranging from \$500,000 to \$1,000,000.

The State of New Hampshire has more than 4,100 miles of state and federal highways. The State Legislature enacts a ten-year highway plan administered by the New Hampshire Department of Transportation ("NHDOT") to serve as a guideline for highway development in the State. Two major components of the plan provide enhanced access to both the Downtown and Manchester Airport. Major projects include: completion of the I-293 interchange with Granite Street along with the widening of Granite Street, the highway access road to the Manchester Airport, road improvements in the vicinity of the airport, and the Candia Road reconstruction. The NHDOT project consists of a new interchange at the intersection of Route 293 and Granite Street providing complete northbound and southbound movements. This project is expected to enhance the access to Manchester via Granite Street and will become the primary highway access point to downtown. In particular it will also provide improved access to the Verizon Wireless Arena and the recently approved Stadium and riverfront development. This interchange project is scheduled to be completed by the State early in 2006, at a cost of over \$30 million. The City is planning its own project to widen Granite Street in conjunction with the State's interchange project. The widening of Granite Street by the City is expected to cost about \$20 million and will also be completed early in 2006. The Federal government has already committed \$8 million towards the City's Granite Street project and the City anticipates receiving an additional \$7 million from the Federal government, but this amount has not yet been appropriated by Congress. In addition to the additional traffic capacity that the Granite Street improvements will provide, it is being designed to be a premier "Gateway" into the City with landscaping, bike lanes and sidewalk improvements.

Highway access to the Manchester Airport remains a high priority for the City and the State. The NHDOT project consists of a new access road connecting Route 3 and the Everett Turnpike directly to

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the Manchester Airport. The connector will provide quicker access to the Airport and relieve traffic stress placed on the local roads surrounding the facility. The project is under design and is in the final stages of Federal environmental review. Construction is expected to be completed by the end of 2006 at a cost of approximately \$85 million.

The reconstruction of Candia Road between Interstate Route 93 and N.H. By-Pass 28, partially funded with Federal money, is expected to begin in this calendar year. The City has committed its matching share of this \$7,000,000 project.

The City maintains three bridges over the Merrimack River connecting the City's east and west sides. Construction was completed on the Notre Dame Bridge in 1991. The City doubled the traffic capacity of the bridge by converting it from one span and two-lanes to two spans and four-lanes. The City completed the reconstruction of the Queen City Bridge in 1994. The reconstruction allowed for the widening of the F.E. Everett Turnpike underpass. Reconstruction of the third bridge, the Amoskeag bridge was completed in the Fall of 1999. The City has expended over \$43 million over the past 10 years on the construction and rehabilitation of its major bridges, these being the Notre Dame Bridge, the Queen City Bridge, the Amoskeag Bridge, and the Nazaire E. Biron Bridge over the Piscataquog River. The City also maintains an ongoing inspection, maintenance, and rehabilitation program for all of its 30 bridges.

The City is looking towards the eventual return of passenger rail service to Manchester. Plans are currently underway to extend service to Nashua, New Hampshire. When this is completed, service may then be continued northerly to Manchester. City officials are reviewing appropriate locations for a passenger terminal and the State has committed \$10,000,000 towards the development of a parking garage in conjunction with a multimodal center.

The City has just recently expended \$2 million in CDBG funds on the rehabilitation of Elm Street in the downtown area. This effort was mainly directed at traffic calming measures in order to make the downtown more pedestrian friendly and to enhance the downtown retail environment. The City currently has plans to perform similar work on the side streets connecting to Elm Street and to establish a pedestrian connection between the Millyard area and Elm Street.

Freight and Public Transportation

Manchester is served by the Boston & Maine Railroad (Gilford Transportation Industries, Inc.), and freight service is maintained to Boston and connecting lines. Motor freight service to all points is available from a number of nationally known carriers. Daily express service is maintained to all major cities within a 200-mile radius and to New York City. United Parcel Service, Airborne Express, and FedEx provide daily small package air freight service from Manchester Airport. The Manchester Transit Authority provides local scheduled bus service, while regular service to other points, both interstate and intrastate, is provided by Vermont Transit Lines and Concord Trailways. Limousine service from Manchester to Logan International Airport in Boston is offered by several local companies.

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Utilities

Gas, electric, and telephone services are provided by private utilities. Water and sewer services are provided by the City, as described below.

Deregulation of the electric utility industry in New Hampshire, and associated enactments by the State Legislature, prompted the City in 1997 to institute the Manchester Area Aggregation Program (“MAAP”) to assist local residents and businesses. MAAP is designed to take advantage of the City’s large buying power by grouping retail electric and natural gas customers to broker or contract for energy supply and services for such customers. The City, as “Aggregator”, is a municipality engaging in the aggregation of customers within its boundaries. Manchester, through its Department of Finance, administers MAAP on behalf of participating municipalities.

A move toward full customer choice in the electric utility industry is expected to place the City in a better competitive position through its Aggregation Program with greater loads and a larger pool of competitors. The manner in which energy services have traditionally been provided has changed as a result of deregulation; however, the implementation of electric transition service rates essentially places a “cap” on the prices MAAP can pay to an alternative supplier. MAAP is taking a comprehensive approach to understanding the energy needs of Participants and devising comprehensive energy strategies to reduce overall energy costs. The second largest city in the State, Nashua, has also adopted an Aggregation Plan and has entered into an intermunicipal agreement with MAAP to administer the program. MAAP administration includes procuring energy supply and services, negotiating and administering contracts entered into by MAAP, and coordinating customer participation in MAAP.

While full competition in the electric industry in New Hampshire has been slowed, MAAP has proceeded with the aggregation of energy efficiency measures (“EEM”) and natural gas. The EEM contracts provide MAAP with access to energy audits and energy efficient fixtures and equipment. Manchester’s implementation of completed energy efficient projects has resulted in reduced energy costs of approximately \$360,000 annually.

The natural gas contract provides municipal and industrial MAAP participants — retail access is not yet available to small commercial or residential accounts in New Hampshire — with savings over current tariff rates. Manchester has included gas services as a component of the MAAP for the past four years. Only those customers eligible to take transportation service under KeySpan’s existing tariffs were eligible. However, a viable market for full retail customer choice of gas suppliers has not developed.

Wastewater Treatment Plant

The City owns and, through EPD operates a regional sewerage treatment plant which provides sewage treatment through inter-municipal agreements for the towns of Bedford, Londonderry, and Goffstown. Under the requirements of the National Pollution Discharge Elimination System Permit issued to the City by the US Environmental Protection Agency (“EPA”), it is required to treat wastewater before it is discharged to receiving waters and meet water quality standards that are outlined in the permit.

The City’s wastewater treatment facilities include a wastewater treatment plant, interceptors including sanitary sewers and related pumping stations and appurtenances thereto. The current capacity of the plant is 34 MGD (million gallons per day), with an average current volume of 22 MGD. A recent

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upgrade provides capacity for the system through the year 2008 as required by the EPA. This project is being financed in part by the State Revolving Loan Fund ("SRF").

The City's sewer department is operated on a self-supporting enterprise basis. The user charge system was established for paying the cost of construction, payment of debt, operation and maintenance, and replacement of the facilities. The charges consists of a service charge (fixed and usage charges based on water consumed (variable) as well as strength of wastewater for industrial users). The rates are enacted by ordinance as recommended by the staff of the Environmental Protection Division to insure that the fund is self-supporting. The current sewer rate, which became effective January 1, 1997, is \$1.55 per 100 cubic fee. It is anticipated that a rate increase will be necessary in fiscal year 2004 in order to ensure the City's sewer department remains self-supporting.

In addition to the user charges, other major sources of revenue include State Aid Grants on the original plant construction as well as the interceptor and the West Side Pump Station, town contributions on the capital expenditures as well as the operations and maintenance costs, investment income on invested surplus balances and cost and interest fees collected on delinquent payments.

The EPD completed the Long-Term Control Plan for Combined Sewer Overflows in 1998 and entered into negotiations with EPA. The project is estimated to cost \$85 to \$140 million. The City has signed a consent order with EPA and NHDES to address the first phase of the CSO Remediation over an 11-year period at an estimated cost of \$59 million.

EPD has initiated the CSO projects as required by the City's Consent Order. To date, the CSO Bypass at the WWTF and the Theophile Street Basin Separation Projects, Electric and Sullivan Streets and the Varney Street Basin Separation projects have been completed at a cost of \$12.2 million. Contracts for design of and N. Main Street Separation and Cemetery Brook Basin Study have been awarded at a cost of \$1.7 million.

To date, all eligible CSO work has been awarded SRF loans and 20% State grants. At the conclusion of Phase I, the City and EPA will reassess CSO activity and evaluate the need for Phase II. To date, \$4 million has been authorized in fiscal year 1999, \$6 million for fiscal year 2000, and \$17.7 million for fiscal year 2001.

Manchester Water Works

The City owns and, through the Manchester Water Works (MWW), operates a regional water treatment plant and distribution system. The management of the MWW is vested in the Water Commission in accordance with the Charter. The Water Commission consists of seven members, of which six are appointed by the Board of Mayor and Aldermen.

The City's water department is operated on a self-supporting enterprise basis. Lake Massabesic supplies water to the City. The City's potable water treatment facility was built approximately 35 years ago and has a 40 million gallons per-day capacity. Current peak utilization is 30 million gallons per day. The City has an ongoing expansion program, which entails the addition of 40,000 — 60,000 feet of new water mains annually. The distribution system is maintained and upgraded annually and is in excellent condition.

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The MWW is the primary water utility in the south-central region of New Hampshire. Its retail distribution area includes the City and portions of five surrounding municipalities consisting of the Towns of Hooksett, Londonderry, Bedford, Auburn and Goffstown, an area of approximately 55.5 square miles with a population of approximately 115,000. The MWW also supplies water service to four wholesale customers who in turn distribute that water to an area of approximately 25 square miles containing a population of approximately 25,000. The MWW serves approximately 28,000 customers on a wholesale and retail basis across various customer classes.

In August of 2003, the City issued \$38,345,000 of revenue bonds on behalf of the MWW (“MWW bonds”) in order to finance certain capital improvements and upgrades to the City’s water treatment plant and water distribution system. The MWW bonds were issued pursuant to a General Water Revenue Bond Resolution (the “Resolution”) adopted by the City prior to the issuance of the MWW bonds. Under the Resolution, the MWW bonds are payable solely from revenues of the City derived from the ownership and operation of its water treatment plant and water distribution system, subject to the prior payment of operation and maintenance expenses.

The MWW, through its Board of Water Commissioners (the “Board” or the “Board of Water Commissioners”), is responsible for setting and imposing the water rates and charges for City residents and for other retail and wholesale customers in the MWW’s service area. The Resolution requires the MWW to maintain rates at levels sufficient to pay operating expenses of the System, to pay debt service on bonds and provide for reserves. The Board has voted to implement an overall 14% rate increase effective on July 1, 2003 and also has approved a multi-year increase in rates to be implemented in fiscal years 2004, 2005 and 2006, respectively. Prior to the 2003 rate increase, the MWW had not increased rates and charges since 1990. Historically, the MWW has collected approximately 45% of all water bills within 30 days of billing, approximately 85-90% within 60 days of billing and close to 100% within 90 days of billing.

Recreation

The Parks, Recreation & Cemetery Department operates under the guidelines of two individual funding mechanisms. The Enterprise Budget involves revenue-producing facilities that are supported by user fees. The facilities include an 18-hole golf course, two ice arenas, one with a seating capacity of 2,600 for ice hockey, a ski area, with a 169-foot vertical drop, and a semi-professional baseball park. Property tax-funded organizations include nine cemeteries, the largest being the 275-acre Pine Grove Cemetery, and Parks Division. The Parks Division responsibilities include management of all City owned passive parks, playgrounds, athletic fields, tennis courts, traffic islands, four aquatic facilities, one public beach and snow removal at twenty-three school buildings.

Revenues supporting recreation operations include rental and user charges at all of the facilities with the exception of the municipal swimming pools.

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Housing

The City is involved in a major effort to rehabilitate its center city. This effort is being undertaken in conjunction with the Neighborhood Reinvestment Corporation, a federally chartered and funded nonprofit organization that operates nationwide to assist communities in rehabilitating neighborhoods. This collaboration has resulted in the formation of Manchester Neighborhood Housing Services (“MNHS”), a local nonprofit organization consisting of neighborhood residents, members of the corporate community, and government officials.

MNHS has embarked on a three-phase program to combat neighborhood deterioration. The first phase consists of a revolving loan fund to assist owner occupants in making repairs to their buildings and approximately \$1 million in private funds have been raised to assist in these efforts. Second is the promotion of home ownership by encouraging the purchase, repair, and owner occupancy of single family and smaller multi-unit buildings. The third phase is a rehabilitation program to bring larger multi-family buildings up to contemporary standards for occupancy by rental tenants. A foreclosure prevention component, using City Community Development Block Grant (“CDBG”) funds, is also part of the MNHS effort. MNHS has completed a major affordable housing renovation project on Elm Street and is now working on two properties on Temple Court.

The Manchester Housing and Redevelopment Authority has recently become more active in providing new affordable housing projects and is planning three sites – the Brown School, Gale Home and a city parcel at 628 Hanover Street.

Families in Transition has recently completed an expansion of their transitional housing project on Market Street. This project is located in and was developed consistent with the historic Corporation Housing Historic District.

Bridge and Elm Street

In 1999 a developer exercised his option not to develop this site for a major office building and the Parking Garage. Since that time, this last large parcel of land in downtown has been the subject of numerous discussions. Most recently, the City has completed agreements to develop a major housing project on this site.

Sylvestri, Inc. will be developing 200 market rate dwelling units in a high rise building with the City developing the Parking Garage on the site. The project has now received all City development approvals and the Parking Garage is being financed with approximately \$5,000,000 of the proceeds of the Series 2003C Bonds.

Health And Sanitation

Health

The City Health Department, the area medical community, and community agencies all work together to maintain the City’s excellent health status. The Health Department coordinates the Healthy Manchester Coordinating Council, which is comprised of key community agency, government, health care, education, and business leaders. This body examines public health issues in the community and develops collaborative strategies to improve the health of the public. Over the last five years, this group led the

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City to a 30 % reduction in adolescent births, community water fluoridation, and improved access to dental and health care for Manchester residents. The community's health care providers work closely with the Health Department to insure that emerging public health issues are monitored and addressed through prevention and a quick response. The City was the recipient of a significant Federal grant for public health preparedness that enables it to coordinate community work on issues such as bioterrorism, smallpox vaccination and outbreak response, and SARS. The Health Department relocated in 2002 to a building purchased by the City to consolidate health services. The building is a more modern and larger facility that is equipped to handle potentially infectious clients and to convene health care providers. The facility will soon be equipped with backup generator power so that the Health Department can fully operate in the event of an emergency, and in fact, provide a fully equipped secondary Emergency Operation Center for the City.

The Health Department provides full time school nursing staff to each of Manchester's public schools through a long standing relationship with MSD. This enables the Health Department to quickly respond to student health concerns and to link school health services with health services available in the community. From a variety of funding sources, the Health Department currently employs or contracts with approximately 70 health professionals. Collectively, the public health team provides 24/7 public health emergency response for the City.

There are two primary hospitals in the City. The 255 bed Catholic Medical Center provides comprehensive diagnostic, therapeutic and preventive health services, including cardiac care, CRT scanning, nuclear medicine, corporate fitness and emergency medical services educational programs. The Elliot Hospital has 296 beds and is staffed by 220 physicians, 85% of who are Board Certified in 29 medical specialties. The Elliot has the state's largest center for therapeutic radiation and is the region's designated Trauma Center. Specialty services include walk-in emergency care, a comprehensive rehabilitation medicine unit, Medicare certified home health services, and a free physician referral service. The Laser Center located at the Elliot offers advanced laser surgery as well as regional training for physicians. Women's health services include a Breast Diagnostic Center and the City's only advanced care neonatal unit for critically ill newborns. A Veteran's Administration Hospital is also located in Manchester. The Hitchcock Clinic, founded in 1927 and a component of the Dartmouth Hitchcock Medical Center, operates a medical care facility in Manchester. The Hitchcock Clinic and the Lahey Clinic in Massachusetts merged into a regional group practice with 830 physicians, which will be the third largest multi-specialty group practice in the United States.

Visiting Nurse Association of Manchester provides home health services to area residents. There are over 200 practicing physicians and surgeons with offices in the City, giving a favorable one doctor per 500 population ratio.

The Manchester Community Health Center, a federally qualified health center, provides primary health care services to low income persons.

The Mental Health Center of Greater Manchester provides in patient care for acute cases, day hospital programs for out patient diagnostic and treatment services for children, adolescents, adults, the elderly and alcoholics, emergency services (24 hours a day), consultation, and community education.

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Sanitation

The City provides curbside collection of garbage, rubbish, bulky items, appliances, yard waste, and recyclables. The garbage, rubbish, and bulky waste collection is provided by the Highway Department and the transfer to a lined landfill of this material is provided by Waste Management, Inc. Yard waste and recyclable collections also are provided by Waste Management, Inc. under a long-term, multi-year contract to the City. Appliance collection is also provided by the City's Highway Department through a separate vendor.

The City stopped receiving waste at its landfill in July 1996 and has commenced a landfill closure process. Engineering studies have estimated the total cost of closure to be \$12,350,000. The first phase of closure has been completed at a cost of \$6,300,000. The second and final phase of the landfill closure started in October of 2001 and it is expected to be substantially complete in October, 2003. Post closure costs have been estimated at \$230,000 per year of 30 years. To fund closure costs, the City executed an agreement with the State for a State Revolving Fund loan to a maximum principal amount of \$13,850,000. As the project progresses, periodic reimbursement requests are forwarded to the State for reimbursement from the fund. Upon completion of the project, the aggregate principal amount plus accrued interest will be payable in annual installments for up to twenty years. The City has the right to prepay principal at any time without a penalty. Interest accrues at 1% per annum during the construction period. Post closure costs are subject to appropriation on an annual basis.

In addition to the State Revolving Fund Loan, the State has established a landfill grant program to reimburse municipalities up to 20% of eligible administrative closure costs. The City has been accepted to participate in this grant program.

SOURCES OF CITY REVENUES

Property Taxes

The principal revenue source of the City is the tax on real and personal property. There is no limit as to rate or amount. A single tax is levied for state, county, municipal, and school purposes. For New Hampshire municipalities the "assessment year" for taxing purposes runs from April 1 to March 31 of the following year. Taxes are due in Manchester in two installments, on July 1 and December 1 (subject to deferral if tax bills are sent out late). Interest accrues on delinquent taxes at a rate of 12 percent per annum from the due date to the date of payment. Real property (land and buildings) is subject to a lien for the taxes assessed upon it (subject to any paramount federal lien and subject to bankruptcy and insolvency laws). The City places a lien on delinquent property prior to May 1 of the following year. From the date of the tax lien, a two-year period of redemption is allowed the owner, during which time payment of taxes, interest, and costs will be accepted and the lien released. During the redemption period, 18 percent interest per annum is charged. Beyond the two year period of redemption, properties are deeded to the City (unless either the lien has been sold by the City, or the City has notified the collector that it will not accept the deed because acceptance could result in liability under environmental statutes imposing strict liability on owners). Except for any paramount federal lien and subject to bankruptcy and insolvency laws, tax liens take precedence over all other liens, and tax collector's deeds are free and clear of all encumbrances.

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The amount to be levied in each year is the amount appropriated or required by law to be raised for municipal expenditures less estimated receipts from other sources and less appropriations voted from available funds.

In 2000, the City began the process of a City-wide revaluation. The revaluation is as of April 1, 2001 and was used to assess property taxes beginning with fiscal year 2002. As part of the Supreme Court decision regarding school funding, cities and towns in New Hampshire are required to undertake revaluations every five years. For more detailed information about the Supreme Court decision and education funding in New Hampshire, see “Appendix B – City of Manchester Selected Financial Information – Education Funding.” The City’s next revaluation will be effective for April 1, 2004. The tables IV and VI in the statistics section set forth the trend in the City’s assessed valuations, the state equalized valuations and the tax rate per \$1,000 assessed valuation as of April 1, for each of the last ten fiscal years.

The annual tax rate and tax levy are established by the State of New Hampshire Department of Revenue Administration (DRA) in October or November of the fiscal year, based on adopted appropriations of the City and Hillsborough County and anticipated non-property tax revenues. Tax rates and levies are established separately for the county, municipal, and local and state school portions. The DRA recently approved a 2.8% increase in the overall property tax rate imposed on City taxpayers, from \$25.68 per \$1,000 of assessed valuation for fiscal year 2003 to \$26.40 per \$1,000 of assessed valuation for fiscal year 2004.

The tax levy calculations set forth in the following table for fiscal years 1999 through 2003 are presented in the same manner as supplied to DRA for tax rate setting purposes. A requirement of DRA is that all costs included under departmental appropriations on behalf of the MSD be reflected as part of the school costs and reduced from the original appropriation category. Therefore, the categorical amounts in the tax levy calculation cannot easily be equated to those shown below under “Fiscal Year 2004 Budget.”

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Calculation of Property Tax Levy

	1999	2000	2001	2002	2003
Departmental Requirements:					
General Government	\$10,825,635	\$15,138,988	\$22,412,332	\$22,795,572	\$21,089,086
Public Safety	28,028,631	29,385,878	32,896,813	35,675,949	36,920,465
Highways & Safety	16,024,361	16,491,509	18,125,291	15,326,474	18,111,301
Sanitation	1,390,160	1,693,622	1,785,333	6,440,962	2,966,376
Health	1,348,004	2,305,824	2,503,716	2,733,226	2,805,523
Welfare	1,190,924	1,299,024	1,269,737	1,461,074	1,476,875
Culture & Recreation	4,230,524	5,326,011	4,629,710	4,834,839	4,671,441
Economic Development	220,527	232,650	2,220,785	2,595,161	2,890,339
Education	90,226,231	102,722,154	106,832,425	115,808,857	121,148,267
Debt Service Requirements					
Principal on Long-Term Loans	8,493,847	9,175,353	10,287,693	10,034,398	10,890,802
Interest on Long-Term Loans	3,645,218	4,157,805	3,585,996	3,298,349	5,181,213
Non-Departmental Requirements:					
Transit Subsidy	900,000	674,000	663,330	725,000	725,000
Motorized Equipment	450,000	419,550	399,900	382,500	50,000
County Tax	7,349,481	7,494,747	8,045,138	8,736,858	8,465,440
Veterans Exemptions	606,000	623,155	590,700	573,400	575,200
Overlay Reserve for Abatements	547,513	593,100	(2,307)	1,081,931	1,023,700
Total Estimated Requirements	175,477,056	197,733,370	216,246,592	232,504,550	238,991,028
Estimated Revenues:					
Taxes, Penalties & Interest	1,710,006	1,716,703	1,587,210	1,152,162	1,140,787
Auto Registration	11,339,850	11,246,450	12,682,000	14,913,000	15,569,000
Licenses & Permits	3,819,360	3,290,916	3,888,400	3,806,100	4,422,038
State and Federal Revenues	18,019,770	7,660,814	8,160,596	8,533,036	8,862,815
Charges for Services	14,112,626	2,834,305	11,138,603	16,507,345	5,816,757
Interest	2,041,557	1,800,000	1,700,000	1,825,000	1,816,000
Surplus	500,000	700,000	1,800,000	1,500,000	2,250,000
Trust & Agency Funds	850,000	300,000	300,000	300,100	300,000
Miscellaneous	1,350,720	284,620	3,862,130	1,589,419	10,317,663
Education Adequacy Grant		36,878,752	36,878,752	42,283,387	42,473,084
State Education Taxes (1)		25,515,954	25,515,954	28,447,547	29,155,221
School Revenues		16,060,200	17,468,979	18,036,000	15,007,326
Total Estimated Revenues	53,743,889	108,288,714	124,982,624	138,893,096	137,130,691
Tax Levy	\$121,733,167	\$ 89,444,656	\$ 91,263,968	\$ 93,611,454	\$ 101,860,337

(1) State Education Taxes are included as part of the City's total tax levy

As shown in the table above, for purposes of calculating the property tax levy, estimated departmental budgetary requirements, which in fiscal year 2003 totaled \$238,991,028, are assumed to be funded first from estimated non-tax revenues, which in fiscal year 2003 totaled \$137,130,691. The remaining budgetary requirements are then assumed to be funded from the property tax levy.

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Employee Relations

Pursuant to New Hampshire RSA 273-A, all public employees in the State of New Hampshire have the right to organize and to bargain collectively with their public employers on matters of wages, hours, and other conditions of employment other than managerial policy. The City has approximately 1,272 employees, of whom approximately 67% are bargaining unit members.

The following identifies Manchester's municipal labor organizations, their affiliations, the length of each contract and the date on which the contract expires.

<u>Organization</u>	<u>Affiliation</u>	<u>Length of Contract</u>	<u>Expiration of Contract</u>
Airport	Teamsters	2.0 Years	06/30/04
Public Works, Parks and Sanitation	AFSCME 298	2.0 Years	06/30/04
Police Department	MAPS	3.0 Years	06/30/02
Police Department	MPPA	3.0 Years	06/30/02
Water Works	USWA	3.0 Years	06/30/02
Fire Department	IAFF	3.0 Years	06/30/02
Police Department Support Staff	Teamsters	2.0 Years	06/30/04
Fire Department	MAFS	2.0 Years	06/30/04
Health Department	AFSCME	2.0 Years	06/30/04

AFSCME: American Federation of State, County, and Municipal Employees

MAPS: Manchester Association of Police Supervisors

MPPA: Manchester Association of Police Patrolmen

USWA: United Steelworkers of America

IAFF: International Association of Firefighters

Teamsters: Local 633 of NH

MAFS: Manchester Association of Fire Supervisors

The City and the applicable union have agreed to the material terms necessary to extend and/or modify of the existing collective bargaining agreements. New collective bargaining agreements, however, have not yet been executed.

In addition to the above listed groups that are officially organized, there is one other group that has retained their status as Non-affiliated Employees. The "Non-affiliated" group is comprised of administrative, clerical, and supervisory personnel in most of the departments listed above, as well as the entire segment of employees, which account for the "General Government" grouping.

Summary

The combination of these new economic projects along with the City's successful investment in the Manchester Airport, the Verizon Wireless Arena and various Millyard initiatives should help sustain the City's economy for the next decade.

While the City has taken actions to stimulate the local economy, it should be recognized that the overall New Hampshire economy is still faring better in this period of economic uncertainty than any of its

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neighboring New England states. New Hampshire's current growth outpaces both national and New England averages.

While the City's current economy appears resilient with property tax collections remaining strong (98.9%), the Board of Mayor and Aldermen have adopted the above mentioned policies and capital initiatives to further strengthen the City's financial condition and the local economy during this anticipated sustained period of economic slowdown. These projects are aimed not only at providing jobs, but also more importantly, at enhancing local education and quality of life.

BOND ISSUES AND CREDIT RATING DURING PERIOD
--

The general debt limit of the City is 9.75% of base valuation, a total capacity of \$686,468,412; not more than 7% of which may be incurred for School purposes. Water and Sewer projects ordered by the State Water Supply and Pollution control commission, self-supporting sewer debt, debt for urban redevelopment and housing purposes, and overlapping debt are excluded from the measure of indebtedness. Other water projects are subject to a separate, special debt limit of 10% of the City's base valuation. Borrowings authorized by special legislative acts rather than the general municipal finance statutes are also sometimes excluded from a city or town's statutory debt limit.

As of June 30, 2003 the City has a total outstanding General Obligation debt of \$118,936,695 and authorized and unissued debt of \$258,762,909 for compliance with various improvements, infrastructure improvements, and economic development projects.

Although the City did not issue any bonds during FY 2003, significant effort was devoted during the year in preparation for three (3) issues scheduled for early in FY 2004.

On July 31, 2003 the City issued \$105,000,000 school improvement bonds.

On August 31, 2003 the City issued on behalf of the Manchester Water Works \$38,345,000 revenue bonds for improvement / expansion of the water treatment facility.

Also on December 1, 2003 the City issued \$87,520,000 including \$24,350,000 financing for the Professional Minor League Baseball Stadium as part of the City's commitment to the Riverfront Development Project. \$37,675,000 to finance various municipal capital improvement projects as part of the City Capital Improvement Program; and \$25,495,000 refunding bonds.

The City was assigned the following credit ratings; FitchRatings ("Fitch"), Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P"), have assigned the ratings of "AA+," "Aa2," and "AA+," respectively, to the Bonds.

The MSD was assigned the following credit ratings; Fitch, Moody's and S&P, have assigned the ratings of "AA," "Aa3," and "AA," respectively, to the Bonds.

The MWW was assigned the following credit ratings; Fitch, Moody's and S&P, have assigned the ratings of "AA," "Aa3," and "AA," respectively, to the Bonds.

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INDEPENDENT AUDIT

State statutes and the City Charter require an annual audit by an independent certified public accountant. The City has engaged McGladrey & Pullen, LLP, Certified Public Accountants, to conduct the City's audit. In addition to meeting the requirements set forth in State statutes and the Charter, the audit was also designed to meet the requirements of the federal Single Audit Act and related OMB Circular A-133. The financial records, books of accounts, and transactions of the City for the fiscal year ended June 30, 2003 have been audited by McGladrey & Pullen, LLP. The auditor's report on the basic financial statements is included in the financial section of this report. The auditor's reports on internal controls and compliance with applicable laws and regulations can be found in a separately issued single audit report.

ACKNOWLEDGEMENTS

I would like to thank all of the City's department heads, payroll and account clerks for completion of another successful year. I would especially like to thank the staff of the Finance Department for their dedication and attention to detail.

Respectfully submitted,

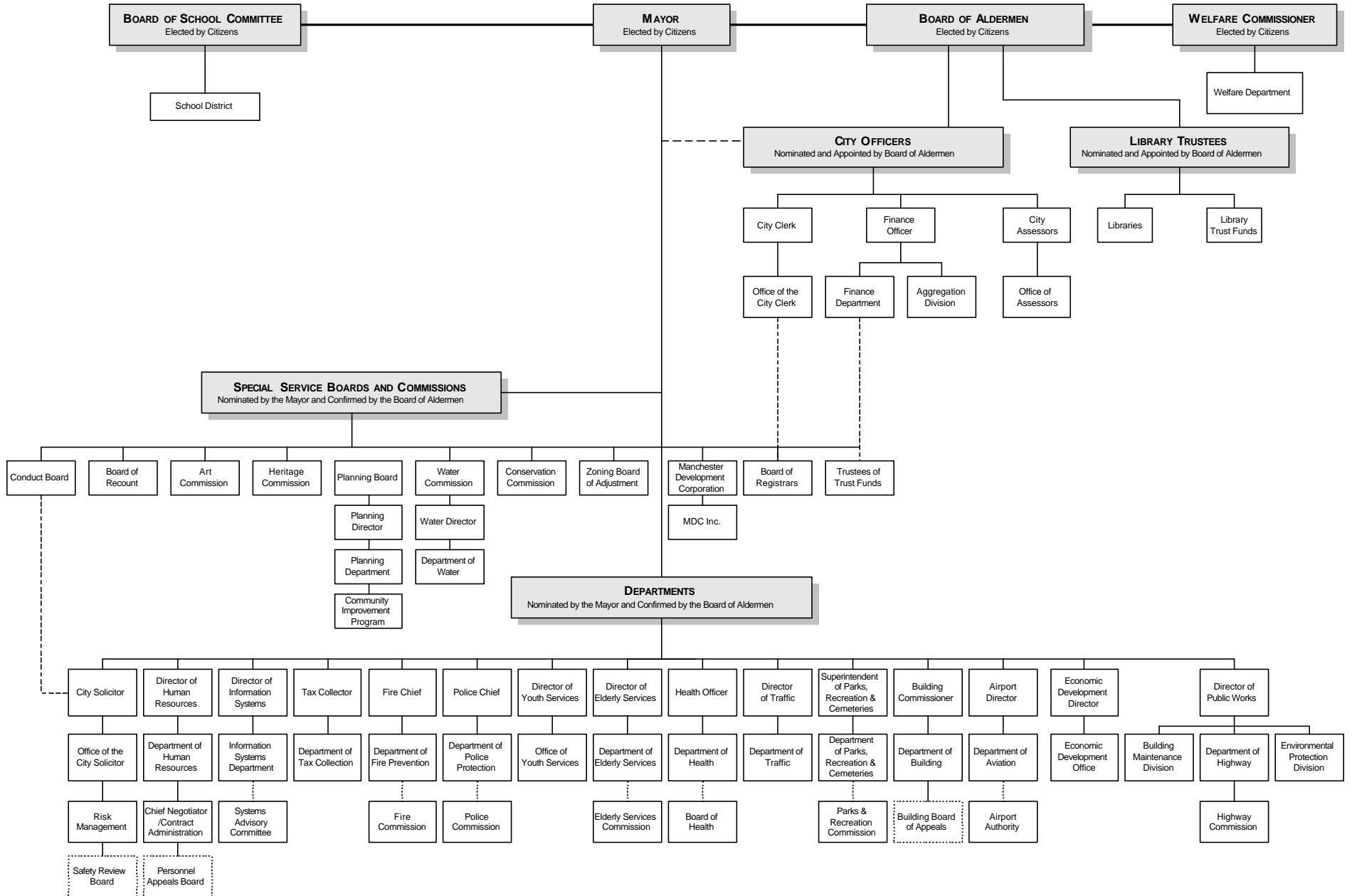
Kevin A. Clougherty

Kevin A. Clougherty
Finance Officer



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CITY OF MANCHESTER NEW HAMPSHIRE ORGANIZATION CHART



**List of Principal Officials
in office at the close of fiscal year ended June 30, 2003**

Mayor

Robert A. Baines

Aldermen

Ward 1	David M. Wihby	Ward 7	William P. Shea
Ward 2	Theodore L. Gatsas	Ward 8	Betsi L. DeVries
Ward 3	Frank C. Guinta	Ward 9	Michael D. Garrity
Ward 4	Mary A. Sysyn	Ward 10	George W. Smith
Ward 5	Ed Osborne	Ward 11	Henry R. Thibault
Ward 6	Real R. Pinard	Ward 12	Armand D. Forest
At-large	Michael J. Lopez	At-large	Daniel P. O'Neil *

* Chairman of the Board

City Departments

Finance Officer	Kevin A. Clougherty
Deputy Finance Officer	Randy M. Sherman, CPA
Second Deputy Finance Officer, Treasury Manager	Joanne L. Shaffer, CCM
City Clerk	Leo R. Bernier
City Solicitor	Thomas R. Clark
Commissioner of Welfare	Paul R. R. Martineau
Chief of Police	John A. Jaskolka
Fire Chief	Joseph P. Kane
Public Health Director	Frederick Rusczek, M.P.H.
Director of Public Works	Frank C. Thomas, P.E.
Director of Parks, Recreation & Cemetery	Ronald E. Ludwig
Director of Economic Development	Unfilled
Building Commissioner	Leon LaFreniere
Director of Traffic	Thomas P. Lolicata
Airport Director	Kevin A. Dillon
Director of Water	Thomas M. Bowen, P.E.
Director of Information Systems	Diane Prew
Director of City Library	John Anthony Brisbin
Director of Planning Board	Robert S. Mackenzie
Superintendent of Schools	Michael Ludwell, Ph.D.
Director of Human Resources	Virginia A. Lamberton
Director of Elderly Services	Barbara A. Vigneault
Acting Director of Youth Services	Laurel Buccino
Chairman Board of Assessors	Steven G. Tellier
Collector of Taxes	Joan A. Porter